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March 14, 2023

Testimony to the Connecticut General Assembly Education Committee on HB 6884 (2023)

Senator McCrory, Representative Currey, Senator Berthel, Representative McCarty, and honorable members of the Education Committee, my name is Anthony Randazzo. I am the Executive Director of Equable Institute, a national bipartisan non-profit based in New York focused on the intersection of public sector retirement systems and other meaningful public policy matters. I am writing today regarding Section 19 of HB 6884, An Act Concerning the Recruitment, Retention and Enhancement of the Teaching Profession.

Our organization was founded to provide independent, third-party insights, analysis, and education about how to design sustainable public sector retirement systems that offer income security to retirees while also serving as a support to other public policy aims, instead of exacerbating existing challenges. In seeking to accomplish this mission, Equable partners with a wide range of other non-profit groups from across the political spectrum, in addition to collaborating with public employee groups like teachers' associations in efforts to ensure retirement plans offer adequate retirement income security.

In 2021, our organization co-published an analysis of Connecticut's teacher pension subsidy, finding the per pupil pension subsidy in 2020 went overwhelmingly to students in white, higher-income households. The proposed task force is, in part, a recognition that teacher pension financing in Connecticut is not equitably designed and falls outside the broader efforts to improve education equity in the state.

Overall, we take a neutral position on the specifics of HB 6884, but—given the scope of the research we conducted in 2021—we did want to take this opportunity to share some of the broader context for the proposed task force.

The Connecticut Teachers Retirement Board (CT TRB) collects 7% of salary from each member of the pension plan as contributions toward their retirement benefits. However, school employers (Connecticut municipalities) pay no portion of teacher pension obligations—even though pension benefits are based upon the teacher salaries that local districts individually set. Rather, all CT TRB employer obligations are paid by the state.

Connecticut's annual teacher pension contributions account for over a quarter of the state's overall K-12 education budget—roughly $1.4 billion was budgeted from the last biennium for TRB contributions, compared to around $4.8 billion budgeted for primary and secondary education.[1] Given the enormity of the money being spent, entirely by the state, it is worth

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considering the extent to which these funds are allocated equitably. An inequitable allocation of these funds has tangible implications for students' educational experiences.

I. Research Findings Relevant to This Proposed Task Force

In 2021, Equable worked with Education Reform Now CT to analyze data about the Connecticut Teachers Retirement Board alongside demographic data and performance outcome data for Connecticut schools.

We used CT TRB data about how much the state was contributing for each school district, divided that by student enrollment, and produced a per pupil amount that the state was providing to cover the employer costs of retirement benefits. This identifies how much the state spends per student in each public school district when it makes an annual contribution to the Teacher Retirement Board — we call this the Per Pupil Pension Subsidy.

The average Per Pupil Pension Subsidy for FY 2020 is $2,312; the median Per Pupil Pension Subsidy is $2,355.

Table 1 (attached at the end of this testimony) shows the 10 largest and 10 smallest Per Pupil Pension Subsidies for Connecticut public school districts that enroll at least 1,000 students. At the extremes, for each enrolled pupil in the 2019-20 school year, Greenwich accumulated a pension subsidy of $3,227—while Bridgeport's Per Pupil Pension Subsidy was only $1,715 in the same year.

For an interactive map of Connecticut and table showing each school district's Per Pupil Pension Subsidy, visit: https://www.edreformnowct.org/whobenefits-teacherpensionsandequity

In our analysis we compared the subsidy dollars to three other datasets: (1) the share of students in each school district that qualified for free or reduced price lunch, (2) the share of students who identify as people of color, and (3) the academic performance of each district using Next Gen Accountability data.

Our primary findings in analyzing the Per Pupil Pension Subsidy are:

1. Connecticut subsidizes school districts—and thereby the students within them—at double the rate for more affluent students as for their peers from low-income families.
    - Although students from low-income families make up 42.8% of the student population in Connecticut, they receive only a 33.5% share of the state's Per Pupil Pension Subsidy.
    - Their wealthier peers make up 57.2% of the student population in the state, but receive a 66.5% share.

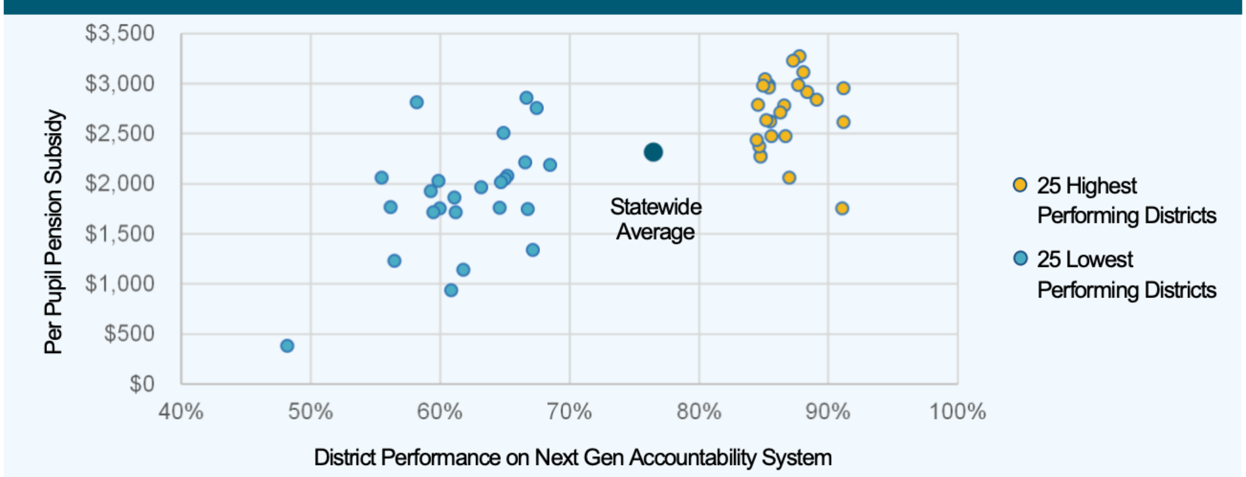
2. Connecticut subsidizes school districts—and thereby the students within them—at more than twice the rate for white students as for students of color.
    - White students make up 51.7% of the student population in the state, but receive a 70.1% share of the state's Per Pupil Pension Subsidy
    - Although students of color make up 48.3% of the student population in the state, they receive only a 29.9% share.

3. Connecticut pays larger Per Pupil Pension Subsidies on behalf of high-performing districts with low resource needs—and thereby the students within them—than it does for districts with lower performance.
    - The 25 highest performing districts, on average, receive a $2,700 Per Pupil Pension Subsidy—as compared to an average Per Pupil Pension Subsidy of $1,870 in the 25 lowest performing districts.
    - This means the highest performing districts are effectively getting nearly $1,000 more per student from the state to support teacher compensation.

For a complete review of our findings and data, see "Who Benefits? How Teacher Pension Financing Impacts Student Equity in Connecticut" available at https://equable.org/who-benefits-how-teacher-pension-financing-impacts-student-equity-in-connecticut/

To see how this inequitable distribution looks visually, we built a scatterplot chart (Figure 1) showing that the cluster of highest performing districts (in yellow) also tend to have higher Per Pupil Pension Subsidies. These are precisely the districts that, from an equity standpoint, need less assistance from the state. Although some lower performing districts do have above average Per Pupil Pension Subsidies, they are primarily clustered around $1,500 to $2,000 (well below the average of $2,312).

Figure 1: District Performance and Per Pupil Pension Subsidy
(25 Highest and 25 Lowest Performing Districts)



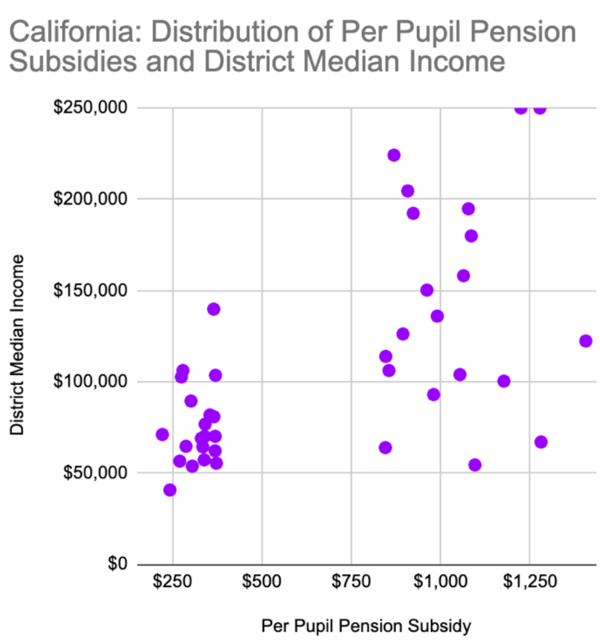
II. How Does Connecticut Compare to Other States?

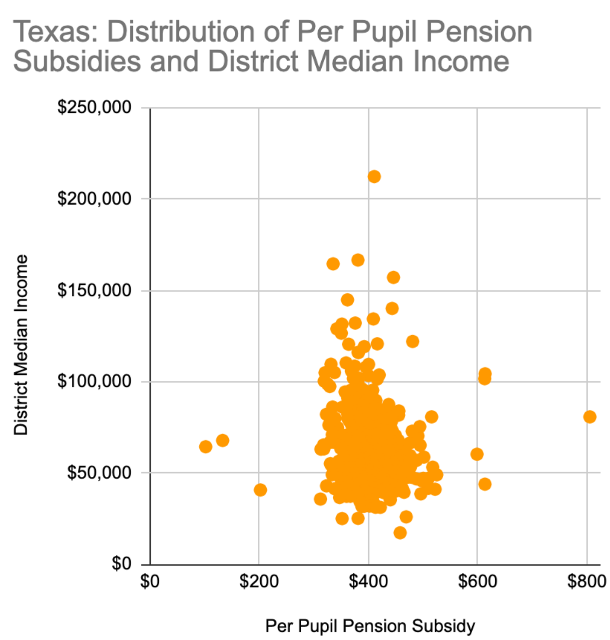
Connecticut is among a small number of states where all teacher retirement obligations are paid for at the state level (with others including Massachusetts and Vermont). A few states like Illinois and Texas pay 90%+ of the employer contributions on behalf of school districts, but most of the rest of the states require school districts to pay all or a large portion of required teacher retirement plan contributions.

The inequitably distributed Per Pupil Pension Subsidy in Connecticut, is not inevitable. We've analyzed similar per student metrics in California and Texas and found varying levels of how state subsidies are distributed.

In California, the state pays for about a third of employer contributions. This state pension subsidy is distributed in a similarly inequitable way to Connecticut, with a small portion of California school districts receiving an outsized share of state pension subsidy dollars. But in contrast, Texas pays roughly 90% of employer contributions on-behalf of school districts and this subsidy is distributed in a notably flatter pattern.

The two figures below demonstrate this varied distribution by comparing Per Pupil Pension Subsidies for school districts in California and Texas with the median income of those school districts. The distribution in California has larger subsidies in higher income areas whereas in Texas there is a generally equal distribution of subisides by income level.





Note: Districts included have at least 1,000 enrolled students. Data for California measures fiscal year 2021, data for Texas measures fiscal year 2020. California districts included are the 20 largest and smallest by per pupil pension subsidy. Texas districts included are those large enough to have a related median income for the region served. All median income data comes from the U.S. Census Bureau; per pupil subsidies are based on NCES enrollment data and on-behalf contributions as reported by the state's teacher retirement system.

III. Areas that the Proposed Task Force Could Focus On

Addressing an inequitably distributed per pension subsidy does not have to mean a reduction in the contributions that flow to the Teachers Retirement Board. Instead, the question is a matter of how the necessary contributions are distributed.

One area that the task force proposed in Section 19 of HB 6884 could focus on is reviewing similar data over time to assess whether these subsidy distributions in 2020 were indicative of general trends over the last five to 10 years.

Another area that the task force could focus on is in determining more precisely some of the proximate causes of why liabilities are reported as concentrated in districts that tend to be primarily white with only a few students qualifying for free or reduced price lunch, and that have stronger than average academic performance. The factors that could contribute to this include teacher salaries in these districts and teacher tenure rates, but detailed (anonymized) data from TRB would be necessary to develop a complete analysis.

The scope of the task force could also focus on how to adjust education and pension financing to solve for equity challenges. It is important that, whatever changes are adopted, the work Connecticut has done to improve the funding of TRB is not reversed. If anything, our analysis suggests that CT TRB needs more overall funding to pay down pension debt, not less. So the question for the task force to consider would be how to balance the competing interests in adjusting the distribution from the status quo where the stay pays everything.

More concrete policy matters to consider would include:

- If municipalities should pay a portion of the normal cost for teacher retirement benefits, what share of that should they pay? 100% of the normal cost? 25%? Some other percentage?
- If municipalities are going to pay a share of the normal cost of teacher retirement benefits, should certain high need districts be exempted in part or in whole? And how should such districts be determined?
- If certain municipalities are paying a share of the normal cost, how might this adjust a distribution of resources? Would these dollars just lower the state's overall education budget? Would the state's dollars that no longer are required for TRB be reallocated to the exempted, needy districts? Would the dollars be used to cover a shortfall in the ECS?

Any task force considering these and related factors should include all stakeholders in the teacher retirement benefits in Connecticut, including all of the communities who are affected by the distribution of costs. Technical expertise in school budgets, teacher retirement costs, and education finance systems generally should also be included to provide guidance on the status quo level of Per Pupil Pension Subsidies and to measure the effects of any given policy change.

IV. What are the Implications for Retirement Benefits?

It is important to note that this analysis does not suggest changing or revoking teacher retirement benefits or entitlements.

First, teachers annually pay contributions into this system, relying on promises from the state of a secure future retirement. There is a clear moral duty to keep those promises. Second, any retirement plan design in which all costs are paid for by the state would still have the same inequity challenges identified in this paper.

This is also not a problem of teachers being “paid too much” or being granted “overly generous” benefits. If Connecticut TRB were a fully funded pension plan, with no unfunded liabilities, the same Per Pupil Pension Subsidy inequities would exist—just at a lower relative scale.

Because of this, any redistribution of the employer costs for teacher retirement benefits in Connecticut should not be seen as a limit on the future income for teachers. The same relative dollars will exist in Connecticut to pay for education costs, including salary. It is simply a question of whose budgets pension costs should be paid from.

V. Conclusion

Measuring the Per Pupil Pension Subsidy is a new way to think about the distribution of retirement costs in Connecticut. Looking at the costs of the retirement system this way makes it plain that Connecticut should be thinking about all aspects of compensation when thinking about education resources, and how they can be most equitably distributed across the state.

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Appendix & Footnote

Table 1: 2020 Largest and Smallest Per Pupil Pension Subsidies in CT Public School Districts

10 Largest Per pupil Subsidies, By School District (Min. 1,000 Enrollment)	Per Pupil Pension Subsidy	Student Enrollment	Total Pension Debt
Greenwich	$3,227	9,048	$455,215,054
Westport	$3,044	5,344	$253,587,333
Regional School District 13	$3,027	1,517	$71,582,915
Old Saybrook	$2,981	1,195	$55,541,877
Wilton	$2,975	3,870	$179,491,480
Weston	$2,961	2,290	$105,729,203
Windsor Locks	$2,915	1,599	$72,660,346
New Canaan	$2,912	4,221	$191,663,228
East Windsor	$2,856	1,079	$48,044,526
Darien	$2,834	4,765	$210,527,033
10 Smallest Per pupil Subsidies, By School District (Min. 1,000 Enrollment)	**Per Pupil Pension Subsidy**	**Student Enrollment**	**Total Pension Debt**
Killingly	$1,939	2,490	$75,281,460
Norwich	$1,921	3,588	$107,461,159
Danbury	$1,917	11,928	$356,408,962
Plainfield	$1,857	2,180	$63,110,844
Waterbury	$1,756	18,807	$514,868,206
Ansonia	$1,745	2,284	$62,146,678
Bridgeport	$1,715	20,311	$543,045,937
Amistad Academy	$1,134	1,103	$19,499,861
Achievement First Hartford Academy	$875	1,169	$15,950,954
Achievement First Bridgeport Academy	$676	1,110	$11,703,422

Note: Enrollment data from the 2019-20 school year.

[1] In the previous biennium budget, Connecticut allocated the following towards education costs: Department of Education ($3,118,629,990), Office of Early Childhood ($251,916,334), State Library ($9,277,287), Office of Higher Education ($37,511,975), University of Connecticut ($208,184,065), University of Connecticut Health Center ($135,730,117), Teachers' Retirement Board ($1,477,611,514), Connecticut State Colleges and Universities ($317,864,939). Excluding the higher education portions of this budget, we calculate $4,857,435,125 toward education (DOE + OEC + Library + TRB), of which the TRB is about 30%. (Source: Special Act No. 21-15 (2021), available at https://www.cga.ct.gov/2021/ACT/SA/PDF/2021SA-00015-R00HB-06689-SA.PDF.) Note that a small portion of the TRB contributions are for higher education employees, so the amount of state TRB contributions going toward primary and secondary teachers was budgeted as $1,443,656,000 for 2021-22, according to actuarial valuation documents from the retirement system. Based on that metric, retirement costs were 29% of state education funding.